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Sanitized Copy Approved for Release 2011/06/28 : CIA-RDP88G01117R001004120001-2

13 May 1986

MEMORANDUM FOR: Director of Central Intelligence

FROM: George V. Lauder
Director, Public Affairs Office

SUBJECT: Address of the CSIS International Councillors

1. Action Requested: None. This is background information for your address to the Center for Strategic & International Studies (CSIS) International Councillors, Friday, 16 May, 9:00 - 10:00 a.m. at the Dolley Madison Ballroom in the Madison Hotel, 15th and M Streets, N.W. Phone: 862-1600.

2. Arrangements: You are asked to arrive at 8:55 a.m. where you will be met and escorted by the President of CSIS Amos "Jo" Jordan to the Dolley Madison Ballroom. Your remarks are scheduled to begin at 9:00 a.m. Dr. Kissinger will introduce you. You are requested to share your assessment of Soviet political developments with the CSIS International Councillors in an informal off-the-record meeting. The proposed format is 20 - 30 minutes of remarks followed by brief comments from the Executive Director of the Research Institute of America, Leo Cherne, and President and CEO of the American International Group, Maurice Greenberg. A general discussion with the Councillors will conclude the hour. You will be seated at one end of a hollowed group of tables with Dr. Kissinger. Approximately 30 Councillors will be seated on the other sides of the table. Microphones will be placed around the table and one in front of you and a neck mike will be available. "East-West Relations: Are We At A Turning Point?" is the theme of the two day program. The substance of the meeting will not be published in any of the Center's publications. Your remarks will be taped by the organization for our historical records.

Audience: You may expect approximately 30 senior business leaders from around the world who meet twice a year to discuss the strategic implications of economic developments. The media will not be represented. Since foreign nationals will be present, we have requested that photographs not be taken. Attendees are from the following countries: Switzerland, Morocco, Argentina, Israel, Korea, Brazil, Germany, Mexico, Venezuela, and the U.S. (See opposite list of attendees and biographies.)

SUBJECT: Address of the CSIS International Councillors

Background: The CSIS is a separately incorporated nonprofit institution affiliated with Georgetown University. The Center is supported by private foundations, corporations, corporate foundations, and individuals. The organization studies international policy issues through interdisciplinary study of emerging world problems. The biannual meetings are sponsored by the Center and chaired by Dr. Kissinger. Deputy Secretary of State John Whitehead will have spoken to the Councillors the night before. Senator Carl Levin (D MI), Senator John W. Warner (R VA), and Undersecretary of Defense Fred Ikle, will address the group in the afternoon following your meeting. (See complete agenda opposite.)

George V. Lauder

PAO/GVI [] 13 MAY 86 []

Distribution:

Orig - Addressee
1 - ER 86-0252X
1 - PAO 86-0038
1 - []
1 - PAO Chron
1 - PAO Ames
1 - MED (Subject)

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I am pleased to be with this distinguished group today.

Understanding the Soviet Union has never been more important. The new, more energetic and sophisticated Gorbachev regime continues to challenge US interests around the world and is engaged in an elaborate ^{public} propaganda and public relations campaign to manipulate world opinion.

The veil of secrecy which covers the Soviet Union has gotten only slightly more transparent over the last 30 years, ~~in part, because of the persistent efforts of the US Intelligence Community~~. Studying the threat posed by the Soviet Union is still our greatest task -- one to which we devote enormous effort.

put out
U.S. Intelligence

Intelligence's first task is to prevent any surprise attack by our enemies anywhere in the world. This charge means we follow carefully the military capabilities and intentions of the Soviet Union, including the likely characteristics of weapons that may not be deployed for 10 or 15 years.

Thanks to our extraordinary technical collection resources and many talented analysts, we do have an excellent understanding of Soviet

weapons systems such as missiles, tanks, and strategic bombers. We can locate, count them, and understand their capabilities. We have a good idea of the direction the Soviets want to go in the future development of their armed forces and how they assess Western defense capabilities.

-- We know that the Soviets are modernizing their strategic arsenal with new and improved systems such as the SS-5 road mobile ICBM, the rail mobile SS-4, the Blackjack bomber, the Typhoon submarine and cruise missiles.

-- We also know a lot about Moscow's ongoing ABM development and deployment program and its ambitious plans for civil defense, leadership protection and relocating in time of war. For their top leaders, scientific and technical elite alone, the Soviets have more than 1,500 hardened relocation and communications centers. Reserves of vital materials are maintained in underground structures as well as redundant industrial facilities.

-- We know that the Soviets have had their own SDI program for almost 20 years and that this program involves some 10 R&D facilities and more than 10,000 engineers and scientists, as well as enormous sums of money. They have a program involving the use of lasers that could be used immediately in an anti-satellite weapon system. Another program involves particle-beam weapons and they are exploring hyper-velocity kinetic energy and radio-frequency weapons.

- We know that the Soviets have a well-developed capability to engage in chemical and biological weapons. They employ the largest group of chemical specialists and genetic engineers in the world and have built the most extensive plants, training sites, and test facilities. They store chemical weapons in Eastern Europe, and continue to develop new, more hideous chemical and biological and genetic agents. They have two major research centers where thousands of technical people research new biotechnical agents and develop these half a dozen plants capable of producing them. They have, moreover, used such chemical and toxic weapons -- by their own forces in Afghanistan and by their client forces in Laos and Cambodia.
- We know that the Soviets have spared no efforts to create a large arsenal of conventional weapons the majority of which are opposite NATO. Their conventional arsenal includes 50,000 tanks, some 7,000 offensive tactical helicopters and aircraft, nearly 400 submarines, aircraft carriers, thousands of artillery pieces and rocket launchers, and more than 200 motorized rifle, tank, and airborne divisions.
- We know, finally, that for almost every strategic and conventional weapons currently deployed, there is one or two new versions under development. The dimensions of their defense industrial base is staggering--hundreds of facilities and the best of their scientific talent are devoted to developing and producing new weapons. They have expanded and modernized nearly all their key facilities in the past 10 years.

Despite deep and serious economic problems, the Soviets are increasing the share of GNP devoted to defense. Their willingness and ability to ask more and more sacrifices from their people in the name of protecting the "Motherland" is a concept ~~Westerners~~ ^{Americans} find hard to grasp. Yet it is occurring. We estimate a growth rate of some 5 to 7 percent a year for strategic programs and a 3 percent annual growth rate for conventional programs. In the past 5 years, they have outspent the U.S. by some \$165 billion dollars.

We also see no evidence that Moscow is presently willing to share in strategically significant constraints ~~on arms control~~ ^{on weapons}. Instead, they view arms control as an important factor in advancing their strategy of achieving strategic advantage. They will negotiate restraints on force improvements and deployments -- when it serves their advantage.

At present, the Soviets are trying to use arms control discussions as a means of delaying or undercutting the US SDI program. SDI is probably the most serious challenge to Soviet military strategy as well as deployment and production patterns ever. In the Soviet view, it could force them into a very costly, open-ended technology race -- one they feel ill-equipped to handle. Thus, Gorbachev wants to slacken Western resolve and defense efforts by airing one after another grandiose arms control proposal without explaining how to implement any of these plans. Lower-level Soviet negotiators, in turn, refuse to even discuss such plans in practical terms.

The Chernobyl' (cher-NO-bil) nuclear power plant disaster was a shocking lesson to those who hoped or believed that Gorbachev would bring about a fundamental change in Soviet domestic or international behavior. Instead the unfortunate, and still ongoing, crisis is a vivid reminder of the continuity rather than evolution in the regime's attitudes and reactions -- no matter how smoothly Gorbachev handles himself in public.

Gorbachev, despite his new looks, is the product of the Soviet system -- he is an experienced and successful party man. His political skills have served him well within an ideological system which, from all accounts, he truly believes in. His handling of the Chernobyl crisis is a vivid reminder that we have to deal with the Soviet Union as it is -- not on the basis of our hopes or the images carefully crafted by Soviet propaganda.

Gorbachev does, however, genuinely want to reform certain aspects of Soviet society. He wants to provide more effective leadership from Moscow, bring a new sense of optimism to the Soviet people, boost economic growth and stimulate technological progress. He has and will continue to take measures to achieve these goals but only those which preserve the essential features of the Soviet power structure -- at home and abroad -- as well as the prerogatives of the ruling class.

He is promoting better managers, penalizing flagrant corruption, cracking down on drinking, and talking alot about striving harder. There

is a renewed emphasis on exports for hard currency and stealing the West's best technology. These measures probably will boost economic performance somewhat; but the effects are not likely to be sustainable over the longer-term without more fundamental reform. They fail to address to roots of Soviet economic problems -- technological backwardness, lack of incentives, burdensome secretiveness, and so forth. Moreover, the recent sharp declines in oil prices will hurt the Soviets total export earnings.

Basic problem
party leadership - initiative to party cadres rather than central involvement in technology + product - ambition
 → Gorbachev is faced, therefore, with incompatible objectives. The Soviets cannot undertake true, effective, economic reforms without simultaneously undermining the power of the party, the material privileges of the political elite, and, ultimately, Communist ideology. We have no evidence, however, that those at the pinnacle of the Soviet power pyramid have yet really understood or faced up to this incompatibility. Even Gorbachev's regime -- which seemed to hint of true change at the beginning -- is likely to only tinker with the system.

don't have resources to meet self need

We should be careful not to underestimate, however, the impact changes in style can have in certain Western circles. Gorbachev will be the most determined, energetic, and sophisticated Soviet leader that the US and the West has yet encountered. Thus, the US will be faced with a military superpower, under enormous economic pressure, bent on maintaining -- and where possible expanding -- its power abroad. The combination of superpower military capabilities and domestic stresses could be a very dangerous combination indeed.

are last 10 years has been
greatest success in pushing of strategic real estate + see
The scope of Soviet efforts to project their power and influence abroad *and* is truly global. We are reasonably well informed about Soviet naval activities *and* worldwide, as well as their military operations in areas such as Afghanistan. *and* We are familiar with their force deployments along the Chinese border. We know in some detail the nature of their relationships with surrogate and client states such as Vietnam, Nicaragua, Angola, and Cuba. We know, for example, that at a time of economic stringency at home, the Soviet commitment to these countries is such that just last winter, the Soviets extended another billion dollars worth of economic assistance to Vietnam, \$600 million in new credits to Nicaragua, and in the last two years has provided nearly \$2 billion worth of arms to the Angolan regime. While we are by no means aware of every covert Soviet program, we know a good deal about Soviet disinformation efforts worldwide, and their efforts to subvert and control various international organizations. We track their sale and shipment of weapons and military supplies all over the world.

A hallmark of the Gorbachev regime is intensified efforts to nail down these beachheads.

We see the Soviets working, using Cubans in direct front-line roles, to bring in more sophisticated in order to knock out the counter resistance there and to consolidate the Marxist-Leninist regime in Nicaragua. If successful, they will have helped build the first Communist base on the American continental mainland. As history has demonstrated such bases are used for further expansion.

In Africa, the preservation and expansion of the Marxist regime in Ethiopia has taken precedence over even the feeding of starving people. In Angola the Soviets have brought in \$1.5 billion in military and economic

aid to the Angolan regime and more actively committed Cuban and Russian troops and advisers to knock out Savimbi. They are also shoring up and trying to reestablish their hold on Mozambique. the Soviets see as an essential element in Soviet long-term strategic goals:

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- Soviet maneuvering in South Yemen helped to bring about the recent bloody coup. Moscow sat by cynically until it appeared the pro-Soviet rebels were gaining the upper hand. Then it intervened with weapons and political support.
- The invasion in Afghanistan drags on despite some 30,000 Soviet casualties. Soviet forces in Afghanistan now stand at 115,000 men. During the past two years, the Soviets have focused on improving their airpower and firepower, and have made increasing use of small commando-type units, including at least 7 battalions of special forces or "Spetsnaz" to attack insurgents supply lines and base camps. At times, the Soviets talk as though they are interested in a negotiated political settlement but, in reality, we have witnessed an intensification of Soviet military efforts as well as stepped up pressure on Pakistan and across the border, harsher internal police measures, and political minipulation of the Kabul regime.

18 month withdrawal - given way

In short, we do not see any significant retrenchment of Soviet interest and involvement in the Third World under Gorbachev. Once again, the hallmark of their policy is continuity not revision. Soviet Third

World activities are a vital part of their status as a global superpower and near the very center of the Kremlin's leaders cherished view of themselves.

may *Political objectives - arm control & other negotiation - slashers & weaken*
Admittedly this is a grim assessment of the current Soviet regime.

But there is good news for the Free World. The Soviet Union can be effectively resisted by: determined diplomacy, sustained defense *western defense efforts &* programs, and by support to those who are actually fighting Soviet forces or Soviet proxies. Sustained Free World resolve in these areas might, *resistance to Soviet expansion* over time, force the regime to reassess its strategy and priorities -- perhaps facing, for the first time, the incompatible objectives I *emphasized* mentioned before. Out of such a reassessment might come a true emphasis *in* on domestic welfare and a deemphasis on military aggrandizement. *Third World*

Moreover, the West has many things to offer the world that the Soviets do *without* not--technology, scientific know how, an example of a viable and free *real* press, and proven democratic political systems. We can, therefore, *concession* compete very effectively with the Soviets in the developing world.

Finally, let me just note that although the Soviet Union is still our key intelligence priority, the US Intelligence Community is looking at a far greater range of issues -- many that cross national boundaries -- than ever before. Such issues include: international terrorism, narcotics, world debt, population problems, explosive urbanization, and technology transfer. We have significantly expanded our intelligence

efforts to monitor and anticipate instability and unrest in countries of key importance to the US. We are keeping our national leaders well informed about a wide range of economic developments and the interplay of economic problems with political unrest.

Our profession looks a lot different than it did just 10 years ago. We have new collection techniques, more highly trained analysts, and a whole array of new technologies. We have also been engage in a broad based effort to draw upon the expertise in the private sector and academia -- talent such as evident at this meeting today. And we are getting results. For instance, we have been able to prevent hundreds of terrorist attacks and illegal technology deals in the last few years.

Nevertheless, the world moves on without regard for past achievements or budget stringencies. We are still worried about our ability to keep pace with new Soviet weapons programs especially as the Soviets use more and more measures to deny us critical information. We are in better shape than ever before but we are sobered by the growing challenges.